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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 03/30/06

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- (1) Possibility of Futenma negotiations rupturing; Worst case

scenario has air of reality; Government may cut off talks with local government; Local community reacting sharply to government's hard-line stance

OKINAWA TIMES (Page 2) (Excerpts)
March 30, 2006

In ongoing talks centered on the relocation of the US forces' Futenma Air Station, Prime Minister Junichiro Koizumi has declared a policy course of not responding to anything but "minor revisions" of the Camp Schwab coastal plan at Nago City, and the government has hardened its previous stance even more. The US has sought an end to the local coordination going on prior to the final report on the realignment of US forces in Japan, and the government is considering jumping the gun if the local government does not compromise. The sudden death of former Nago City mayor Tateo Kishimoto also has produced cold, business-like statements, such as one by a senior Defense Agency official, who said, "The timetable for the talks will be delayed a little." Local authorities are reacting strongly to the government's hard-line stance. The local government is sticking a policy line of moving the runway over 400 meters into the ocean side, and a scenario involving a breakdown of the negotiations is quite possible.

Taku Yamasaki: "Saying one centimeter sounds like your not going to move anything at all; how about saying at least a meter?"

Prime Minister Koizumi: "That would give the message that the government was flexible. Let's go with one centimeter." The two were having dinner on the evening of the 28th at a downtown hotel. Prime Minister Koizumi rejected completely the proposal of Liberal Democratic Party (LDP) Security Research Council Chairman Taku Yamasaki for some movement of the location of the runway in

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the coastal plan.

A high-level government official after their meeting confirmed: "Nago City's call for 400 meters is inconceivable. Even 100 meters is not possible. You can understand that from that (the Prime Minister's words)." A top level Defense Agency official on March 29 expressed his displeasure with Nago City's proposal, saying, "It is not even on the negotiating table."

The last words of the late mayor

"The coastal plan is unacceptable. Don't compromise." These reportedly were the last words to Mayor Shimabukuro and other city officials by former mayor Kishimoto, who died on March 27. He transmitted to his successor the view of rejecting the coastal plan, which had been decided over the heads of the local government. Mayor Shimabukuro, paying his final respects at the Kishimoto home, wore a drawn expression when he said, "He entrusted me with the task, telling me to go in with a firm hand." A prefectural assemblyman from the LDP said with a painful, "Opposing the coastal plan was like Mr. Kishimoto's last will and testimony. With Mayor Shimabukuro having accepted that dying wish, compromise will not be easy to come by. The government should not let Mr. Kishimoto's death have been in vain."

(2) USFJ realignment: Final agreement postponed; Futenma straying off course; Gov't struggling, called to pay for making light of locals

TOKYO SHIMBUN (Page 2) (Full)
March 30, 2006

Tokyo and Washington have been consulting on specific issues regarding the realignment of US forces in Japan. In the meantime, tomorrow is the time limit for the Japanese and US governments to wrap up their realignment talks for a final agreement. However, there are still a number of pending issues. The two governments will forego their release of a final report. The United States has now asked Japan to pay a huge amount of money in order for Japan to share the coast of relocating US Marines from Okinawa to

Guam. Another difficult problem is the issue of relocating Futenma airfield in the city of Ginowan, Okinawa Prefecture.

"Nago City officials say they don't care about reclaiming land from the sea. But we'll have to build a facility in the face of protests (against coastal reclamation)." With this, Defense Agency Administrative Deputy Director General Takemasa Moriya exploded his frustration at the city of Nago, Okinawa Prefecture, when he met the press on March 27.

On March 26, the day before, Defense Agency Director General Fukushima Nukaga and Nago Mayor Yoshikazu Shimabukuro met. In the meeting, Shimabukuro showed his understanding on the government's proposal of minor changes to its Futenma relocation plan. However, the mayor rejected the government's proposal just as he returned to Okinawa. "Minor changes are no good," the mayor said. His flat refusal touched off the vice minister's anger.

On March 21, the government clarified its intention to modify the plan to relocate Futenma airfield to a coastal area on the premises of Camp Schwab, a US military base located in Nago. The government was ready for minor changes to the plan. Meanwhile,

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Nago City, which was against the bilateral agreement, sat down at the negotiating table.

However, the government's proposal was only to turn the runway 10 degrees counterclockwise. The government also implied the possibility of moving down the construction site to the south. Its possible moving to that direction was up to 50 meters. However, Nago City called for the government to build a sea-based facility at an offshore site 400 meters away from the planned construction site. The gap is wide.

Nago is persistently insisting on basing the alternative facility at sea. "That's because the Japanese and US governments changed the plan in disregard of the wishes of local residents," says a lawmaker elected from Okinawa.

Last fall, the Japanese and US governments released an interim report on the US military realignment. Their consultations were bogged down over modifications to the Futenma relocation plan. Tokyo worked out a coastal relocation plan in defiance of Washington's proposal to install a sea-based facility. However, the government explained it to Nago after the de facto agreement.

The government had initially planned to build a sea-based facility. But now, the government has given up on that plan. "That's because we couldn't get much cooperation from Okinawa Prefecture and Nago City," says one senior official of the Defense Agency. The government is sticking to a coastal area of Camp Schwab. That is also because that area is off-limits to locals and it will be easy to push for construction even without local cooperation.

The government has knowingly made light of Okinawa, according to a ruling Liberal Democratic Party lawmaker elected from Okinawa. And now, the government has to pay for that, facing rough going in its local coordination.

The Futenma relocation is an issue of top priority for the United States. The US government, as long as there is no progress on this issue, will not comply with Japan's proposal to alleviate Okinawa's base-hosting burden with Marine relocation to Guam and other specific plans. The Japanese government will have to push for local coordination on its own responsibility. The government now appears to have a hard time of it, having only itself to blame for that.

(3) Three LDP factions -- Tsushima, Niwa-Koga, Ibuki -- looking for new "strong characters" to use in party presidential race

Now that the fiscal 2006 budget has cleared that Diet, Liberal Democratic Party (LDP) lawmakers are now turning their interest toward the party presidential election that will take place in September. Although efforts by the government of Prime Minister Junichiro Koizumi to eliminate factional influences have been promoted, moves by main factions will still likely to significantly affect the selection of a successor to Koizumi as president of the LDP. Even those factions whose top posts had long been vacant have now moved into action, finally having chosen new leaders.

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"Only those who don't know anything about politics say that the age of factions having influence is over," said 76-year-old veteran lawmaker Yuji Tsushima, speaking enthusiastically to reporters on last Dec. 15 after a general meeting of his faction that brought together lawmakers from both Diet chambers. The faction held such a general meeting for the first time in a year and six months.

Former Prime Minister Ryutaro Hashimoto, who used to head that faction, stepped down from the chairman's post to take responsibility for the decline in the faction's power, as well as for receiving an illicit political donation from the Japan Dental Association. The faction split into two camps when selecting its candidate for the 2005 presidential race. In the aftermath of the internal split, the House of Councillors members of the faction declared that they would refrain from factional activities for the time being. The faction, therefore, was unable to pick Hashimoto's successor.

Tsushima used to be a member of the Miyazawa faction, which has

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now changed its name. He left the LDP in June 1994 when the cabinet of Prime Minister Tomiichi Murayama was inaugurated. In March 1995, he rejoined the LDP and entered the then Obuchi faction.

Since such veteran faction lawmakers as Tamisuke Watanuki left the LDP, opposing the government's postal-privatization bills, Tsushima was chosen as chairman of the faction last November. The

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Tsushima faction intends to work out its own policy proposals

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probably after the Golden Week holiday period. Tsushima, who once served as chairman of the LDP Research Commission on the Tax System and other key posts, expounds his theory that the regional disparity widened by the government's structural reform drive should be corrected.

As co-chairmen of the faction, 61-year-old Yuya Niwa and 65-year-old Makoto Koga were chosen on Feb. 23. The faction had its origin as the Kochikai, having been founded by Hayato Ikeda, a prime minister in the early 1960s. Kochikai produced four prime ministers. The chairman's post was vacant from last July, when Mitsuo Horiuchi stepped down, until Feb. 23. Horiuchi resigned immediately before the Lower House plenary session took a vote on the postal-privatization bills.

Koga was initially regarded as the replacement of Horiuchi. However, Koga disappointed many faction members for walking out of parliament before the vote on the postal bills. As a result, the faction selected Koga and Niwa, who served twice as health and welfare minister, as co-chairmen.

Koga stressed at a party in late February: "If Kochikai and Heiseiken (Tsushima faction) join hands, politics will be changed."

Niwa also said in a meeting on March 16 of the faction, "If we display policy measures for the income gap problem and Asia diplomacy, we will be able to fulfill a significant role when the

Lower House is dissolved for a snap election."

Bunmei Ibuki, 68, who became chairman of the faction, the successor to Nakasone's faction, is known as a policy specialist. Since former Chairman Shizuka Kamei and Takeo Hiranuma, who had opposed the postal bills, left the LDP, the faction last December

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forged a collective leadership setup under the leadership of Chairman Ibuki and Honorary Chairman Yoshinobu Shimamura.

Ibuki now chairs the Lower House Special Committee on Administrative Reform. While giving positive evaluation to the government's structural reform effort, he says, "I want the (next government) to take flexible measures." He wants to regain the faction's strength taking advantage of the presidential race.

The Tsushima faction is a mere shadow of the former Tanaka faction, which wielded power. Some junior lawmakers in the faction call themselves as protgs of Chief Cabinet Secretary Shinzo Abe.

Koga quipped, "Kochikai has lost its influence."

The three factions do not have any contenders to run in the post-Koizumi presidential race, even after the chairman's post was filed. It will be difficult for them to regain their impetus.

(4) Growing Japanese economy (Part 1): Boom in consumer spending ignited by increasing household incomes, spending propensity among baby boomers

NIHON KEIZAI (Page 1) (Excerpts)
March 29, 2006

The Japanese economy is about to move into a new growth path. An increasing number of business sectors are showing better performance, and personal consumption and capital investment are also showing positive movements. Although business conditions overseas and the current strong yen remain as potential risks, a sustained economic recovery path now lies ahead.

Men's summer suits priced at 70,000 to 80,000 yen have been in great demand recently in Onward Kashiya, the men's suit section of the Takashimaya Department Store in Shinjuku. Suits priced at 50,000 to 60,000 yen sold well last year. Onward Kashiya President Shigeru Uemura said: "There are signs of consumers now preferring higher-priced goods."

Consumers tightened their purse strings when the country faced deflation, but they have begun to buy better products and are willing to pay more.

Suntory Ltd. has marketed a new brand of canned beer at a premium value, "The Premium Malt." Its price is about 40 yen higher than other brands of beer. A survey in late January showed 7% more men in their 40s drank this brand of beer more regularly than in late August of last year.

Younger persons who had tightened their purse strings have also begun to spend more money. Gusto, a chain of family restaurants franchised by Skylark, has attracted many young customers in their 20s and 30s. The chain boosted sales in February over the previous month for the first time in 17 months.

In a survey of consumer attitudes conducted by the Cabinet Office in February, the consumer-attitude index was 49.8%, the highest level recorded in 15 years and eight months. This figure is up 0.3 percentage points over the previous month.

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The recent improvement in household incomes and the job market has picked up consumer confidence. Late last year, the number of job vacancies topped that of job applicants for the first time in 13 years. The total amount of cash earnings in 2005 also grew 0.6% over a year earlier after a hiatus of five years. Daiwa Securities Co. SMBC predicts that personal consumption in fiscal 2006 would increase by 1.6% over a year ago, owing to household income increases and improved consumer confidence.

The economic recovery in the US since 2001 has been supported by strong personal consumption. Even in Japan, which is said to "have excessive savings with sluggish personal consumption," signs of a long-term boost in consumer spending are appearing. The ratio of spending to disposal income in the case of both working worker households and retired elderly families was 83.4% in 2005, marking a 7.5-point increase over that of seven years ago. In addition to the recent economic recovery, so-called "active seniors" -- baby boomers aged over 60 - have taken the lead in boosting spending.

Compared with elderly persons of long ago, recent senior citizens have contributed more to private consumption growth. The ratio of spending to disposal income in the case of those aged 60 years or older increased to 90% in 2005 from 77% in 1995.

The ratio of overseas travelers 50 years of age or older to all such travelers increased about 10 points from 14 years ago to 34 % in 2004. A JTB travel official said: "Not only younger persons but senior citizens, too, are now the central players in the overseas travelers market." Senior members are not hesitant to pay money for satisfactory goods.

Another reason for the spending propensity recently observed among elderly persons is because they have psychological leeway to spend money instead of increasing saving, seeing the government steadily preparing a system to protect their livelihood. The Bank of Japan analyzes: "The nursing insurance system that was introduced in 2000 has served to mitigate elderly persons' concerns about their future and has encouraged them to use money."

Stock movements are cited as a cause for anxiety. A plunge in stock prices will unavoidably put a damper on personal consumption.

In addition, if the employment situation surrounding the younger generation remains stagnant, consumer confidence might be undermined. The number of jobless persons aged 34 years or younger decreased about 300,000 over the past three years. But many of workers are part-timers, and there are still 2 million job hoppers. The level of their consumption stays lower than that of regular workers.

As it stands, personal consumption has finally picked up. In order to expand spending further, it is imperative for the government to continue to earnestly carry out reforms that will contribute to raising public expectations for their future, such as reviews of the pension and medical systems, as well as measures to increase jobs for the younger generation.

(5) Light and shadow of what "Koizumi politics" has created over the past five years -- Changing society (Part 4): Departure from

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Japanese style of employment; One out of three workers is nonpermanent employee

TOKYO SHIMBUN (Page 1) (Full)
March 29, 2006

"One reason why Nissan Motors slid into a financial crisis was too many employees were wallowing in vested interests. With the destruction of this corporate climate, capable workers are now evaluated based on their performances." A Nissan employee used these words to explain his company's miraculous V-shaped comeback under the leadership of CEO Carlos Ghosn, who rescued it from the

edge of disaster.

Ghosn has been at the spearhead of Nissan restructuring programs since 1999. He took drastic measures, for instance, closing down main factories, cutting down purchasing costs and retrenching personnel. Meanwhile, he put an end to the Japanese style of employment characterized by its seniority-based pay and promotion system. In 2000, he introduced a merit system so that employees would receive pay determined by the degrees of their contributions to the company. Presumably, stimulated by Ghosn's reforms, other Japanese firms began planning to depart from the conventional Japanese style of employment.

"(The important thing to pursue reforms) is whether the leader can win public trust, and your story is of great help to me," Prime Minister Junichiro Koizumi told Ghosn in a meeting at his official residence in June 2001, only two months after his administration started. Koizumi, having an interest in Ghosn's way of corporate restructuring, took his cue from the CEO for his own reform agenda.

The two leaders shared a common view of breaking up vested interests. Last year, Nissan installed a 28-year-old woman in position of section chief in the administrative division. Under the new personnel system, employees even in their 20s can be picked for an executive post. A female administrative worker, 26, with four years of service at the company said the system inspires employees to make more efforts, explaining: "Employees are now evaluated on the results they achieved after strenuous efforts, so the reason for promotion has become clear."

However, the truth is that weak workers coming out of the old system can suffer from the new system.

Case of Shinya Kobayashi, worker lives in Tokyo

A 65-year-old-worker who we will call Shinya Kobayashi is a "sole proprietor" who had concluded a consignment contract with a firm, under which he had received a portion of the proceeds from the sale. He is called a proprietor, but in actuality, he is no more than one employee. Last year, he was told by the firm one-sidedly, "Our contract with you will be shifted to a part-timer contract starting next year." He then keenly realized he was in a weaker position than regular employees.

"The economy has definitely not recovered as the government announced. The company appears to be imposing part of their hardship on workers in various forms," Kobayashi noted.

The number of part-timers, temporary employees and dispatched employees like Kobayashi is on the increase. The number of non-

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regular workers was 13,600,000 persons in 2001 but rose to 16,690,000 at the end of 2005.

Behind this movement is employment-related deregulation advanced by the Koizumi administration in the name of the diversity of working patterns. With the enforcement in 2004 of the amendment to the Worker Dispatch Act, the manufacturing industry is allowed to use temporary employees. One out of three workers is a nonpermanent employee at present.

According to the Japan Community Union Federation (JCUF), a national organization that nonpermanent employees also join, it is not a rare case that regular workers are forced by their companies to conclude a consignment contract as a sole proprietor. Recently, the JCUF has received inquiries from temporary workers about the case of being forced to accept a wage that is below the minimum wage level. JCUF Secretariat Chief Akira Takai pointed out: "The quality of employment is deteriorating."

Why are nonpermanent employees on the increase? The reason is because companies can hire them at lower wages and easily adjust employment if they hire them on a short-term contracts.

Apparently, firms have abandoned the previous Japanese style of employment in order to bolster their earnings.

Takai said angrily: "The so-called Koizumi reforms have brought competition as the panacea for every problem. Corporate managers who are under pressure to generate profits in a short run are no longer eager about educating and giving training to employees. Even employees are something disposable now."

(6) Bright and dark sides of the five years of Koizumi administration (Part 5): Social divide expanding; Low- and middle-income classes financially strapped

TOKYO SHIMBUN (Page 1) (Abridged)
March 30, 2006

In April 2003, Roppongi Hills opened as Tokyo's new landmark. The 54-story Mori Tower dominates the complex, which houses information technology firms, financial institutions, and many other up-and-coming global companies.

Also located in the complex are the Roppongi Hills Residences, which house 800 upscale apartments, including one unit renting for over 4 million yen a month. They are all occupied. Hills occupants, mostly successful young entrepreneurs, often throw lavish parties. Office workers also frequent luxury brand shops in the complex.

President Minoru Mori of Mori Building Co., which undertook the Roppongi Hills project, explained the reason why the company targeted wealthy people: "There are many companies that target average people, but is there any other firm that deals with the tough high-end class?"

In 2003, the Koizumi administration temporarily lowered the tax rate on capital gains and dividend from 20% to 10 %. The administration also decreased the maximum inheritance tax rate from 70% to 50%. The steps were intended to favor those possessing stocks and assets.

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At the same time, the Koizumi administration has forced greater burdens on the public in many ways.

The administration also raised the liquor tax on highly popular low-malt beer, the "third beer," and abolished the added spouse tax credit in 2004. The fixed-rate tax cut will also disappear next year.

Additionally, the portion of medical expenses borne by salaried workers went up from 20% to 30% in 2003. Employee pension premiums, which had been frozen for years, and the national pension premium have been increasing annually since 2004 and 2005, respectively.

Those increases may not mean much to the nation's well-to-do population, which is small, but they are a heavy burden on the remaining low- and middle-income classes.

Atsushi Hirai, 44, who works at a mid-sized Tokyo machine maker, complained: "My wife has been struggling to make ends meet daily. I always take lunch to work. At home, I drink low-malt beer, which is cheaper than regular beer."

His company's profits have been growing steadily. In his 25th year with the company, Hirai makes slightly over 8 million yen annually.

But he has a mortgage on his house in Chiba Prefecture. He also has a daughter and a son who will enter a private university and a private high school, respectively, this spring. Their tuitions and fees will cost him 1.4 million yen a year. Prioritizing the present over sunset years, his family dug into their savings. Tax hikes and a growing social security burden are strangling the economy of the average household, like Hirai's.

Last November, the Central Council for Financial Services Information released the results of a 2005 survey on financial assets that showed a record 23.8% of households had no savings. The figure has nearly doubled from 12.4% in 2000 before the establishment of the Koizumi administration.

The average financial assets came to 15.44 million yen in 2005, up 1 million yen from 14.48 million yen in 2000.

This showed that the rich has become richer and the poor has become poorer over the last five years under the Koizumi administration.

Hirai also noted:

"I'm aware of the need for reform, but a high-handed approach will not help Japan turn for the better. The Japanese system has been destroyed over the last five years. I'm afraid that the prime minister will just call it quits and step down."

DONOVAN